

## **SCOPE**

### **February 7, 2001**

The Strategic Committee on Postsecondary Education met February 7, 2001, at noon in Room 149 of the Capitol Annex, Frankfort.

Members in attendance: Ms. Adams, Mr. Baker, Mr. Barrows, Mr. Davies, Mr. Hackbart, Ms. Helm, Ms. Luallen, Ms. Miller, Mr. Moberly, Governor Patton, Mr. Ramsey, Mr. Rose, Mr. Richards, Mr. Stivers, Mr. Turner, Ms. Weinberg, Mr. Whitehead, and Mr. Williams. Members absent: Mr. Danny Ford, Mr. Ed Ford, Mr. Hoover, Mr. Kareem, Ms. Menendez, Mr. Neal, Mr. Sanders, and Mr. Stumbo. Mr. Whitehead presided.

The minutes of the September 6, 2000, meeting were adopted as presented.

Mr. Whitehead updated the Committee on a series of SCOPE-related events since the previous SCOPE meeting. The SCOPE Operating Budget Review Subcommittee met October 4, 2000, November 1, 2000, and January 16, 2001. The purpose of the subcommittee was to develop a basic framework for the 2000-2004 postsecondary education budget development.

Mr. Davies and Mr. Alexander presented an overview on the Points of Consensus document.

Mr. Davies said that the Points of Consensus document was considered by the Council on Postsecondary Education at its meeting February 5 following the work of the subcommittee. The council endorsed the Points of Consensus as the basis for working toward the 2002 legislative session budget proposals.

- The council made one change to that document on page 22, under IV for the endowment match program. The first sentence read: ‘the endowment match program should be retained at least through the 2002-04 biennium.’ The council recommended deleting the phrase ‘at least through the 2002-04 biennium.’ The sentence now reads: ‘The endowment match program should be retained.’
- The benchmark approach to base funding was left in place.
- The endowment match program was endorsed and recommended to be continued.
- Space planning guidelines – began working with the universities on this at the end of January. The major issues there deal with how research space is coded.
- Mandated programs in colleges and universities – a meeting was held at the end of January. Other states and their institutions are to be surveyed to try to establish a common denominator so that it is understood what mandated programs are in those institutions.

Mr. Alexander (convener of the presidents) continued the discussion of highlights of the Points of Consensus.

- It was agreed that the Points of Consensus document is calibrated to enhance economic development and to follow the requirements of HB 1. The legislature has, over the years, funded higher education at a reasonably strong level and it is one of the most important economic development tools for this state.

- Inflationary increases need to be provided to institutions.
- Maintenance and operation funds to support the universities are to be maintained.
- Support for capital projects – debt service – is essential.
- The benchmark process model should be supplemented and refined. The presidents agree that at least five substitutions should be allowed for each institution.  
Mr. Davies and the presidents are negotiating these new benchmarks. The approach should Acknowledge that graduate and undergraduate programs do not cost the same. Programs at benchmark institutions should be identified as mandated, instructional, student-credit-hour earning, and public service. States have different laws, regulations, and methods of distributing funds, so mandated master's programs are important issues.
- The trust funds, hallmark of the strategic agenda, should continue.
- Every university has enrollment growth and retention as a top priority. We all are attempting to increase the enrollment of Kentucky students and to retain them once they get to college. It is understood that the size of the enrollment growth and retention trust fund will be an issue.
- We want the council to work with the institutions to identify special funds so that we all will know the process and the procedures for obtaining them.
- Benchmarking should reflect that Kentucky State University is a special institution.
- We want to be sure to maintain the current appropriations level, and we don't want to lose appropriations when tuition is increased. The universities will not raise tuition unless it is absolutely necessary. It is our objective to give every in-state student the opportunity to go to Kentucky schools.
- As for tuition for out-of-state students, delegation of tuition-setting to our universities is extremely important to us in order to respond to the competitive marketplace across the country.
- Endowment match has been a very successful program. It is drawing resources out of the private sector. We want you to recommend that flexibility be maintained in this program. We would like the continued flexibility to be able to receive endowment funds for scholarships, fellowships, and professorships as well as endowed chairs. Flexibility in the time period in which we can match the state funds is also requested.
- Space planning guidelines. If enrollments are to increase, Kentucky needs more facilities. All states are moving to construct new facilities.

Mr. Williams asked what comment the independent institutions had on the discussions about recruitment and incentives to students. Mr. Davies replied that an entire new population of Kentuckians must be reached. The point of SB 1, the adult education legislation, is to reach a whole population that does not even think about going to a community college and probably can't until we can get these residents to a sufficient level of literacy. The council wants to design a 2002 legislative proposal in which there is no reward for institutions to work at cross-purposes with one another but to work together to increase enrollment wherever it happens to occur. President Gary Cox from the private college association has recommended this kind of approach, as has President Ron Eaglin from Morehead State.

Mr. Williams encouraged an ongoing dialogue between the public and private institutions.

Ms. Miller asked if graduate tuition is comparable to that in surrounding states. Mr. Davies replied that most states increase tuition as the cost of instruction for graduate level programs increases. Kentucky does not. Kentucky graduate tuition is fairly low relative to many states, but exact figures for the contiguous states are not precisely known.

Responding to a question from Ms. Miller, Mr. Davies stated that Kentucky is a net importer of students with about 13,000 imported and 9,000 exported.

Mr. Baker asked about the residence status of Kentuckians who attend college outside the state and want to return to Kentucky for graduate work. Mr. Davies replied that Kentucky residence could be reclaimed. Mr. Baker pointed out that Morehead State University has many students that qualify. Mr. Eaglin said Morehead offers adjusted in-state tuition both at the graduate and undergraduate levels in selected counties in southern Ohio.

Mr. Barrows asked and Mr. Davies verified that a timeline on benchmarks and funding methodologies had been established and will be provided to both the council and SCOPE.

Mr. Moberly asked if it was the council or the institutions that determined the counties in other states for which in-state tuition may be offered. Mr. Davies replied that the council approves reciprocity agreements with states. Morehead State's discounting tuition to students was Morehead's decision. One possibility council members have discussed to end the so-called "brain drain" is to develop a formal program of tuition discounting in return for some years of residency in Kentucky after graduation for students who come to Kentucky to study in specific high-demand programs like engineering and the health sciences.

Mr. Moberly reiterated that he hoped the council would consider incentives for partnerships with public schools for model teacher education programs in the next budget.

Ms. Luallen asked if there would be a continuing commitment on the part of the council leadership and the presidents to continue the dialogue at this level as we prepare for the next budget. Mr. Alexander reaffirmed the commitment to continue to work closely with the council and council staff and Mr. Davies in formulating a funding approach.

Mr. Pat Callan, president of The National Center for Public Policy and Higher Education and former head of the postsecondary education systems in both Montana and California, made a presentation:

The National Center for Public Policy and Higher Education has undertaken the first ever national report card on each state's performance on higher education. The report card was published in November 2000.

The National Center for Public Policy and Higher Education was formed three years ago by a consortium of national policy leaders who sought an independent, non-partisan, nonprofit organization focusing on state and federal policy issues in higher education, with the primary focus being the states. Its chair is North Carolina's former Governor Jim Hunt. Its board comprises corporate, educational, and governmental leaders from across the country.

The states have the primary responsibility for all education. They are the principal funders of higher education. Yet, all of the measuring sticks are either national or focus on individual colleges and universities.

The two-year development of the report card was funded by national foundations and assisted by policy analysts and experts in higher education in the U.S. and abroad.

A major characteristic of this report card: looking at the effectiveness of state systems of higher education by examining education leaders and other related aspects of a state's population. A state can have good colleges and still have large underserved populations.

The most significant characteristic of the report card is that it focuses on performance and not just on how much money is spent.

We found that the most effective report cards used to increase performance in other policy areas use quantitative measures. We need to use things that can be measured and counted.

Most effective report cards are understandable by the public and the media. Without public awareness of these issues, it is very difficult to make progress.

These efforts need to be repeated regularly. The center's board has committed to do report cards at least two more times – in 2002 and 2004. 2000 is the baseline and progress will be measured from there.

Finally, these kinds of report cards begin with the most reliable, timely, and relevant data. We have worked hard to improve the collection of the data. We are urging individual states to dig deeper than we can dig because we are limited to using things that are comparable across state lines.

How do we grade? Since there is no national consensus about what a state ought to look like in each of these categories – preparation, participation, affordability, completion, and benefits – each state was compared to the five states that do best in that category.

What are we urging states to do with this? We think states need to take this information, expand it, take it down to the regional and county level, and try to pinpoint where these issues are creating real challenges.

By our measure, Kentucky did best in the country in the percentage improvement in higher education enrollment.

The real question about this report card is whether it will be used by state leadership to make improvements in higher education.

Mr. Stivers was interested in the statistics used on the enrollment portion. Mr. Davies stated that in 1980, the percentage of population in Kentucky that had completed four years of college was

11 percent. In 1990, it was 13.6 – it had only gone up about 2.5 percentage points over 10 years. But in 2000, it was a 20 percent increase over 1990 – among the highest increases in the nation in that decade. So Kentucky has moved substantially; however, it is still behind the national average that is close to 25 percent. Mr. Callan added that the proportion of 18-24 year olds with a high school credential increased from 76 percent to 85 percent from 1987 to 1998.

Ms. Helm observed that Kentucky would have generated millions in additional income if the commonwealth's level of educational attainment had been at the national average.

Ms. Weinberg asked about the importance of the indicator for the new economy index. Mr. Callan replied that was not a graded category. There is a general consensus that one of the principal characteristics about the new economy is a requirement of increasingly higher levels of education.

Mr. Hackbart asked about what might have caused different participation rates or completion rates across the states.

Mr. Callan stated that finishing high school is the most important. Courses taken or not taken in college predict success. Going to college and finishing a degree or certificate program in college is highly correlated with family income, ethnicity, and where you live within the state. The gaps in participation between low-income and high-income groups or between whites and minorities have not been closed.

Governor Patton questioned why there was no Kentucky data in the benefit section under adult skills. Mr. Davies explained that the National Center used the national survey of adult literacy when it was administered and that Kentucky did not participate that year. He said that data would be in the next survey.

Governor Patton also asked about the distribution of state appropriations. Mr. Callan explained that national data sources were used, and the definitions used don't always fit the way each state categorizes its spending.

Mr. Stivers asked about the definition of high school freshmen enrolling in college within four years in any state: Is college defined in a traditional sense or in the broader sense of all postsecondary programs? Mr. Callan replied that it is public or private, two-year and four year, academic or vocational. Anybody who is in the business of higher education and reports enrollments to the federal government, which you have to do to get student financial aid, is counted in the report's data.

Mr. William Brundage, the commissioner of the new economy, then explained what he's doing. Mr. Brundage headed the Kansas City Area Life Science Institute, which coordinated the work of the universities, medical schools, hospitals, research institutions and businesses and industries in the Kansas City area. He holds a doctorate in microbiology from LSU and served as a captain in the U.S. Army.

Mr. Brundage defined new economy as an information-based one driven by knowledge and innovation that lead to commercialization.

He cited three major components: infrastructure, research and development, and enabling technologies. The commonwealth has to increase its R&D funding at least by \$300 million per year. That means competition for scientists – and with states that are more experienced and better funded

The new economy will require considerable construction of research facilities. If you don't have the facilities, you can't conduct the research. Other states are doing this.

We have to build enabling technologies – the tools that help the scientists. And we are working with our people now to define what these areas are and what we need to do.

The commercialization process is going to take about 10 years as we work with the universities and the private sector. We have to get more R&D in the private sector. Kentucky also needs a federal laboratory. We are building what we call innovation commercialization centers around the state. These centers will help scientists and entrepreneurs move their technologies along to a major seed capital fund with significant private sector participation.

Venture capital is not a problem. Our problem is that we don't have enough high-quality deals to look at. We have to create these high-quality deals that venture capital firms around the country will invest in.

A critical component we have to work on is our intellectual pool. We have to start early to excite children about science.

Besides scientists and engineers, we need people who can run companies created or relocated. We have to find people to do the market research and fill the sales departments – management throughout.

Workforce is critical. We have to have the best educated, trained, and motivated people and then keep them here after college.

The state's strategic plan will be complete by the end of the summer. It will show the state of the state. We will measure the status of our statewide educational program – the innovation index and parameters that are important for the new economy. We'll show places where we think Kentucky can grow. We also will have a chapter on policy. We are not just going to be creating new companies; we are going to be recruiting companies – different kinds of companies than we have been recruiting. We are going to be working with existing firms in the state and introducing state-of-the art technologies that will keep them in business and make them prosper.

After the plan is accepted, a business plan will be written determining step by step how to achieve the goals that have been set and how to recruit.

I believe that you all know that this ambitious agenda will have a pretty big price tag. We are not expecting the state to pay. No state is going to come up with the price tag of this type of a plan. We will identify many of the sources of extended funding. We are going to have to go to the federal government, foundations, and private corporations to do this.

As the governor said, this is a 20-year process. On the other hand, you are going to see things happen in a year, three years and five years and 10 years.

Governor Patton and Mr. Rose stated they were looking for a great partnership.

Mr. Whitehead stated that the next SCOPE meeting is tentatively planned for June 8 at 11 a.m. September 26 and November 15 should be held as additional meeting dates.

The meeting was adjourned at 1:50 p.m.